AJISEN RAMEN
味千拉麵

Ajisen (China) Holdings Limited
味千(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

2015 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2015	2014	**% Change Increase/ (Decrease)**
	(HK$'000)	*(HK$'000)*	
Turnover	**3,129,198**	3,320,292	(5.8)
Sales from restaurant operation	**2,988,535**	3,177,710	(6.0)
Gross profit	**2,177,460**	2,292,903	(5.0)
Profit before taxation	**363,450**	418,770	(13.2)
Profit attributable to owners of the Company	**226,918**	275,565	(17.7)
Basic earnings per share (HK cents)	**20.79**	25.26	(17.7)
Total dividend per share (HK cents)	**16.70**	17.70	(5.6)
Total number of restaurants (at 31 December)	**673**	669	0.6

ANNUAL RESULTS

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 together with the comparative figures for the year 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Turnover	*5*	**3,129,198**	3,320,292
Other income	*6*	**108,244**	113,077
Other gains and losses	*7*	**(3,153)**	7,455
Cost of inventories consumed		**(951,738)**	(1,027,389)
Staff costs		**(735,361)**	(789,575)
Depreciation and amortization		**(202,696)**	(192,496)
Property rentals and related expenses		**(500,735)**	(503,719)
Other operating expenses		**(475,453)**	(506,024)
Share of profit /(loss) of associates		**154**	(5)
Finance costs		**(5,010)**	(2,846)
Profit before taxation	*8*	**363,450**	418,770
Taxation	*9*	**(111,053)**	(120,082)
Profit for the year		**252,397**	298,688
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**15,498**	13,004
Deferred tax liability on recognition of revaluation of properties		**(8,865)**	(6,572)
		6,633	6,432
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(146,674)**	(9,766)
Other comprehensive income (expense) for the year, net of income tax		**(140,041)**	(3,334)
Total comprehensive income for the year		**112,356**	295,354
Profit for the year attributable to:			
Owners of the Company		**226,918**	275,565
Non-controlling interests		**25,479**	23,123
		252,397	298,688
Total comprehensive income attributable to:			
Owners of the Company		**93,528**	272,575
Non-controlling interests		**18,828**	22,779
		112,356	295,354
		HK cents	*HK cents*
Earnings per share	*11*		
– Basic		**20.79**	25.26
– Diluted		**20.79**	25.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties		**521,021**	435,911
Property, plant and equipment		**1,098,824**	1,285,056
Prepaid lease payments		**95,238**	106,056
Intangible assets		**6,400**	6,400
Loan to an associate		**1,495**	1,495
Rental deposits		**96,931**	86,127
Goodwill		**37,135**	37,135
Deferred tax assets		**1,920**	2,175
Available-for-sale investments		**60,530**	13,537
Financial asset designated as at FVTPL		**542,500**	–
Interest in associates		**1,587**	–
		2,463,581	1,973,892
Current assets			
Inventories		**113,527**	110,096
Trade and other receivables	*12*	**116,843**	133,845
Amount due from related parties		**14**	290
Taxation recoverable		**1,299**	2,901
Pledged bank deposits		**362,073**	7,682
Bank balances and cash		**1,593,572**	1,931,746
		2,187,328	2,186,560
Current liabilities			
Trade and other payables	*13*	**328,258**	375,480
Amounts due to related companies		**7,044**	9,085
Amounts due to directors		**634**	742
Amount due to a shareholder		**32,471**	31,517
Amounts due to non-controlling shareholders		**15,587**	15,587
Dividend payable		**26**	22
Taxation payable		**51,739**	51,627
Bank loans		**597,473**	63,426
		1,033,232	547,486

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Net current assets		**1,154,096**	1,639,074
Total assets less current liabilities		**3,617,677**	3,612,966
Non-current liabilities			
Long-term bank loans		**67,720**	71,216
Deferred tax liabilities		**65,541**	54,398
		133,261	125,614
Net assets		**3,484,416**	3,487,352
Capital and reserves			
Share capital		**109,154**	109,153
Reserves		**3,175,898**	3,265,153
Equity attributable to owners of the Company		**3,285,052**	3,374,306
Non-controlling interests		**199,364**	113,046
Total equity		**3,484,416**	3,487,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairman and Managing Director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The functional currency of the Company and the PRC operating subsidiaries of the Company is Renminbi ("RMB"). The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$").

The consolidated financial statements are presented in HK$. The directors of the Company consider that the presentation of the consolidated financial statements in HK$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[3]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets. The management is still in progress of assessing the impact of the adoption of HKFRS 9 and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identity the contract(s) with a customer
- Step 2: Identity the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not effective will have no material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include application disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits respectively*;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The financial statements of associates used for equity accounting purposed are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is include within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in related to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassified to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reducing in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profit and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and the other similar allowance.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease, Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor liked to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Share-based payment arrangements

Equity-settled shared based payment transactions.

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are excised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

If an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the fair value of that item at the date of change in use shall be treated as its deemed cost for subsequent accounting in accordance with HKAS 16 *Property, Plant and Equipment*.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventory are determined on the weighted average method basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVPTL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and pledged bank deposit, amount due from related parties and loan to an associate) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale investments

Available-for-sale assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivable. (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimate future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

The Group's financial liabilities are generally classified into other financial liabilities.

Financial liabilities (including trade and other payables, amounts due to related companies/ directors/a shareholder/ non-controlling shareholders, dividend payable and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points or received that form an integrate part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3 of the consolidated financial statements, the management has made various estimates based on past experience, expectations of the future and other information. The critical judgements and key source of estimation uncertainty at the end of the report period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Critical judgements in applying accounting policies

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties.

Key source of estimation uncertainty

Estimated impairment of Restaurant Cash Generating Units and Domon Cash Generating Units, containing goodwill and indefinite life intangible assets acquired through business combinations

Determining whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the Restaurant Cash Generating Units and Domon Cash Generating Units to which the relevant goodwill and indefinite life intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the Restaurant Cash Generating Units and Domon Cash Generating Units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill and intangible assets of the Group was approximately HK$37,135,000 (2014: HK$37,135,000) and HK$6,400,000 (2014: HK$6,400,000), respectively.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the financial assets and liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related financial assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of keen competitions from competitors, resulting in higher depreciation charge and/or write-off or write-down of obsolete assets when residual value or useful lives are less than previously estimated.

At 31 December 2015, the carrying amount of property, plant and equipment amounted to approximately HK$1,098,824,000 (2014: HK$1,285,056,000).

5. SEGMENT INFORMATION

Information reported to Ms. Poon, the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance, is analyzed by different operating divisions and geographical locations. This is also the basis upon which the Group is organized and specifically focuses on the Group's three operating divisions, namely operation of restaurants, manufacture and sales of noodles and related products and investment holding. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Operation of restaurants	–	operation of restaurants in the PRC
	–	operation of restaurants in Hong Kong
Manufacture and sales of noodles and related products	–	manufacture and sales of packaged noodles and related products in the PRC
Investment holding	–	leasing of property interests

Information regarding these segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2015

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
– external sales	2,741,105	247,430	2,988,535	140,663	–	3,129,198	–	3,129,198
– inter-segment sales	–	–	–	739,959	–	739,959	(739,959)	–
	2,741,105	247,430	2,988,535	880,622	–	3,869,157	(739,959)	3,129,198
Segment profits	369,070	9,965	379,035	7,632	39,076	425,743	–	425,743
Unallocated income								39,278
Unallocated expenses								(96,561)
Finance costs								(5,010)
Profit before taxation								363,450
Taxation								(111,053)
Profit for the year								252,397

For the year ended 31 December 2014

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
– external sales	2,933,589	244,121	3,177,710	142,582	–	3,320,292	–	3,320,292
– inter–segment sales	–	–	–	807,879	–	807,879	(807,879)	–
	2,933,589	244,121	3,177,710	950,461	–	4,128,171	(807,879)	3,320,292
Segment profits	442,008	1,176	443,184	11,350	43,527	498,061	–	498,061
Unallocated income								38,025
Unallocated expenses								(114,470)
Finance costs								(2,846)
Profit before taxation								418,770
Taxation								(120,082)
Profit for the year								298,688

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administrative costs and directors' salaries, investment income and finance costs. This is the measure reported to the chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

Measures of total assets and liabilities are not reported as these financial information is not reviewed by the Group's chief operating decision maker for the assessment of performance and resources of the Group's business activities.

Other information

All of the Group's non-current assets other than financial asset designated as at FVTPL, available-for-sale investments, loan to an associate, interest in associates and deferred tax assets, including investment properties, property, plant and equipment, prepaid lease payments, intangible assets, goodwill and rental deposits, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets other than financial asset designated as at FVTPL, available-for-sale investments, loan to an associate, interest in associates and deferred tax assets by geographical location of assets:

	2015	2014
	HK$'000	*HK$'000*
The PRC	**1,391,049**	1,496,747
Hong Kong	**464,500**	459,938
	1,855,549	1,956,685

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the years ended 31 December 2015 and 31 December 2014.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2015 and 31 December 2014.

6. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Royalty income from sub-franchisee	**10,071**	25,415
Government grant *(note)*	**23,992**	22,056
Bank interest income	**39,278**	38,025
Property rental income, net of negligible outgoings	**24,580**	20,734
Compensation received from landlord for early termination of operating leases of restaurants	**1,671**	381
Dividend income from available-for-sale investments	**1,202**	–
Others	**7,450**	6,466
	108,244	113,077

Note: The amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

7. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Change on fair values of investment properties	**26,294**	29,793
Loss on disposal/write-off of property, plant and equipment	**(15,313)**	(11,526)
Impairment loss recognized in respect of available-for-sale investments	**(13,000)**	(7,000)
Net foreign exchange loss	**(1,134)**	(3,812)
	(3,153)	7,455

8. PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**951,738**	1,027,389
Directors' remuneration	**4,136**	4,261
Other staff's salaries, wages and other benefits	**639,495**	689,273
Other staff's retirement benefits scheme contributions	**81,469**	81,108
Other staff's share-based payment expenses	**10,261**	14,933
Total staff costs	**735,361**	789,575
Advertising and promotion expenses	**91,020**	104,042
Auditor's remuneration	**3,034**	3,170
Non-audit services	**800**	800
	3,834	3,970
Fuel and utility expenses	**157,385**	170,163
Operating lease rentals in respect of		
– land lease	**5,295**	3,499
– rented premises *(note b)*	**435,917**	441,101

Notes:

a. This represents costs of raw materials and consumables used.

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately HK$251,874,000 (2014: HK$262,213,000) and contingent rent of approximately HK$184,043,000 (2014: HK$178,888,000).

9. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current year	**3,756**	5,178
– Under provision in prior years	**380**	245
	4,136	5,423
PRC income tax		
– Current year	**92,838**	109,022
– Over provision in prior years	**(6,834)**	(6,245)
	86,004	102,777
Deferred taxation	**20,913**	11,882
	111,053	120,082

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2015 and 31 December 2014.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except the followings:

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2009, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, China, applied a preferential tax rate of 15% ("Preferential Tax Treatment") from 2009 to 2010.

During 2011, the Company received notice that the PRC National Audit Office recently issued a letter to the Chongqing STB stating that a few restaurant companies, including Chongqing Weiqian, should not have been granted the Preferential Tax Treatment for the year 2009. The PRC National Audit Office's ruling was that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During 2011, the Group made additional enterprise income tax provision of approximately HK$3.8 million (equivalent to approximately RMB3.2 million) for the year 2009 and paid such amount to the Chongqing STB in a timely manner as requested. In addition, the Group made provision of approximately HK$11.4 million (equivalent to approximately RMB9.0 million) for the potential payment of additional enterprise income tax based on the standard rate of 25% for the year 2010. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2011 onwards.

During the year ended 31 December 2013, the Chongqing STB issued a written notice to Chongqing Weiqian which confirmed that Chongqing Weiqian would be permitted to apply the Preferential Tax Treatment for 2009. Accordingly, the Company reversed the income tax liability of approximately HK$15.2 million (equivalent to approximately RMB12.2 million) which was previously recognized during 2011 in relation to the change in the Preferential Tax Treatment for the years 2009 and 2010. In addition, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2011 and 2012, the Company reversed the income tax liability of approximately HK$11.2 million (equivalent to approximately RMB 8.9 million) which was previously recognized for the year 2011 and 2012.

According to the Chongqing STB, the preferential tax rate needs to be applied by the Company and approved year by year after year 2013. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2013 onwards and reversed the income tax liability after obtaining the written approval.

During the year ended 31 December 2015, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2014, the Company reversed the income tax liability of approximately HK$6.9 million (equivalent to approximately RMB5.4 million) which was previously recognized in the year 2014.

During the year ended 31 December 2014, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2013, the Company reversed the income tax liability of approximately HK$5.2 million (equivalent to approximately RMB4.0 million) which was previously recognized in the year 2013.

10. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim, paid – HK4.70 cents per share for 2015 (2014: HK4.70)	**51,309**	51,276
Final, paid – HK13 cents per share for 2014 (2014: paid – HK2.71 cents per share for 2013)	**141,898**	29,559
Special, paid – nil cents per share for 2014 (2014: paid – HK9.90 cents per share for 2013)	**–**	107,983
	193,207	188,818

A final dividend of HK12 cents per ordinary share (2014: a final dividend of HK13 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

11. EARNINGS PER SHARE

Calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings	**Year ended 31 December 2015** *HK$'000*	Year ended 31 December 2014 *HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**226,918**	275,565

Number of shares	**Year ended 31 December 2015**	Year ended 31 December 2014
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,533,375**	1,090,813,600
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**34,427**	1,902,412
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,567,802**	1,092,716,012

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2015 and 31 December 2014 because the exercise prices of these options were higher than the average market prices of the Company's shares during both years.

12. TRADE AND OTHER RECEIVABLES

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables		
– a related company	**1,117**	1,186
– others	**22,833**	21,966
	23,950	23,152
Rental and utility deposits	**21,084**	33,923
Property rentals paid in advance for restaurants	**24,416**	25,343
Advance to suppliers	**24,252**	26,705
Other receivables and prepayments	**23,141**	24,722
	116,843	133,845

The related company is a company in which Ms. Poon has controlling interests.

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants. The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
Ageing		
0 to 30 days	**17,842**	15,757
31 to 60 days	**2,101**	3,574
61 to 90 days	**517**	398
91 to 180 days	**364**	1,182
180 to 365 days	**1,093**	2,241
Over 365 days	**2,033**	–
	23,950	23,152

No interest is charged on the trade receivables. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2014 and 31 December 2015 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$3,126,000 (2014: HK$2,241,000) which are past due for over 180 days as at 31 December 2015 for which the Group has not provided for impairment loss as these balances are mainly due from related parties and certain group-buying companies with good credit. The Group does not hold any collateral over the balances.

In determining the recoverability of the trade receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. After reassessment, the directors believe that no further allowance is required.

As at 31 December 2015 and 31 December 2014, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

13. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables		
– related companies	**5,617**	6,724
– others	**115,868**	132,739
	121,485	139,463
Payroll and welfare payables	**49,972**	55,382
Customers' deposits received	**12,569**	13,163
Payable for acquisition of property, plant and equipment	**55,834**	71,612
Payable for property rentals	**31,315**	35,112
Other taxes payable	**33,176**	35,299
Others	**23,907**	25,449
	328,258	375,480

The related companies are companies in which Mr. Katsuaki Shigemitsu, who is a director and shareholder of the Company, has controlling interests.

The average credit period for purchase of goods is 60 days (31 December 2014: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Ageing		
0 to 30 days	**73,276**	84,514
31 to 60 days	**35,477**	39,520
61 to 90 days	**4,721**	6,272
91 to 180 days	**4,596**	1,012
Over 180 days	**3,415**	8,145
	121,485	139,463

DIVIDEND

A final dividend of HK12.00 cents per ordinary share (2014: HK13.00 cents) for the year ended 31 December 2015 has been proposed by the Board and is subject to the approval by the shareholders at the annual general meeting ("AGM") to be held on 18 May 2016. The proposed final dividend is expected to be paid on or about 30 September 2016. Including the interim dividend of HK4.70 cents per ordinary share (2014: HK4.70 cents) already paid, the total dividend for the year ended 31 December 2015 will amount to HK16.70 cents per ordinary share (2014: HK17.70 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the year 2015, the global economy was still struggling along in the aftermath of the financial crisis, and moving ahead on the bumpy road of recovery. During the year, economic conditions of the US, the largest economy in the world, maintained its momentum of recovery and gradually trended upward. Against this backdrop, the Federal Reserve announced its interest rate hike in mid-December 2015, which marked the normalisation of the monetary policy of the country, as well as the gradual recovery of the US from the economic crisis. Since the launch of quantitative monetary policy at the beginning of the year 2015, the European economy maintained its modest rate of recovery. In particular, major Eurozone members have substantially returned to the path of positive growth. Nevertheless, countries in emerging markets were generally facing challenging prospects, and delivered fairly mixed performance. In 2015, China's economy encountered various impacts and challenges, as well as increasingly downward pressure on the economy. During the year under review, the Central Bank had initiated five rounds of cutting of Required Reserve Ratio (RRR) and interest rate. China's GDP grew by 6.9% year-on-year to RMB67,670.8 billion in the year 2015, the lowest level since the first quarter of 2009.

Since 2014, we have seen continuous involvement of new capital and cross-industry competitors in the catering market, which resulted in more intensive competition. According the data of dianping.com, in December 2015, there were a total of 5,074,852 restaurants in the PRC. In particular, more than 50,000 restaurants were opened on average in first-tier cities such as Guangzhou and Shenzhen, representing an increase of over 50%. Moreover, this traditional industry is undergoing significant changes as a result of the continuous penetration of the internet into the catering industry, as well as the fast changing habits of consumption of consumers.

In 2015, the catering industry experienced the explosion of takeaway services, with continuous capital inflow from various sources to platforms for takeaway business. Driven by the subsidies from merchants, we had witnessed exponential growth in the number of users of takeaway services. However, as the subsidies diminished, the huge bubble of the takeaway market had also been fading away and returning to the path of normal growth gradually. Another notable change of the catering market is the comprehensive penetration of mobile payment. Mobile payment led by Alipay and WeChat Payment are transforming the payment behaviour of consumers, while posing new requirements for the informationization of catering business.

In addition, due to the rapidly changing behaviours of consumption and the pursuit of novelty of consumers, especially the post-90s generation, as well as the continuous novel offerings by various specialty catering services, the seizure of consumer has become a new challenge facing the players in the catering industry.

Revenue from the nationwide catering industry for the year 2015 amounted to RMB3,231 billion, representing a year-on-year increase of 11.7%, an indication of the expansion of the market; in particular, overall revenue from catering services of restaurants with an annual revenue of over RMB2 million increased by 7% year-on-year to RMB866.7 billion.

During the year, in the face of various challenges from slipping economy and intensified competition, the management of the Group had been exploring unremittingly the path for the transform of the Group, with the aim of seeking indigenous and external momentum for growth amidst difficult conditions. As a response to the development trend of the industry, in 2015, the Group stepped up its efforts in the promotion of takeaway services in restaurants across the country, and has established cooperation with a number of takeaway service platforms, including "Baidu Takeout Delivery" (百度外賣), "ele.me" (餓了麼), "meituan.com" (美團) and "daojia.com.cn" (到家). In addition, in view of the optimistic prospect of takeaway business, the Group participated in the investment in the equity interests of "Baidu Takeout Delivery" (百度外賣) in the form of financial investment. Moreover, the Group also invested in an egg supplier and became its shareholder for the purpose of ensuring the quality of upstream raw materials of the industry and reducing costs.

Business Review

For the year ended 31 December 2015, the Group's turnover decreased from approximately HK$3,320 million in 2014, by approximately 5.8% to approximately HK$3,129 million in 2015. The gross profit of the Group reached approximately HK$2,177 million, a decrease of approximately 5.0% from last year. In particular, profit for the year of the Company decreased by approximately 15.5% and profit attributable to the owners of the Company decreased by approximately 17.7% to approximately HK$227 million from approximately HK$276 million last year. Net profit margin also decreased from approximately 8.3% last year to approximately 7.3%. Correspondingly, basic earnings per share decreased from HK25.26 cents last year to HK20.79 cents per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of HK12.00 cents per ordinary share for the year ended 31 December 2015 as a return to the shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2015, the Group has four major production bases in Shanghai, Chengdu, Tianjin and Dongguan throughout China.

During the year, the Group decelerated its pace for the expansion of FCR network as planned. The Group adopted more focused strategies in its development, and continued to expand the restaurant network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 30.4%, indicating a decrease of approximately 0.5 percentage point from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 69.1% last year to approximately 69.6% in 2015. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw material. In addition, although prices of certain raw materials are currently rising, the Group is confident that this pressure can be effectively mitigated by ingredient diversification. Together with further optimization of purchasing channels, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 23.5% of the turnover, which was approximately 0.3 percentage point lower than that of the corresponding period of last year. During the year, proactive cost control measures were implemented, and obvious effects were witnessed during the reporting period. The Group enacted new standards for staff allocation based on restaurant scale, and optimized the scheduling system. These measures enhanced the efficiency of human resource utilization and actively reduced labour costs, leading to a decrease in labour costs as a proportion to turnover.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 16.0%, which was approximately 0.8 percentage point higher than that of the corresponding period last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium- and small-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. Such increase was mainly attributable to the fact that the slower turnover growth for the period with the recovery of turnover, rental costs will be diluted further, pushing up the proportion of rental and related costs to turnover.

The Group has timely introduced a number of enriched and attractive marketing activities. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. These activities not only encouraged new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The effective operation of over 670 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully mobilize its staff.

RETAIL CHAIN RESTAURANTS

In 2015, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately HK$2,988,535,000 (2014: HK$3,177,710,000), accounted for approximately 95.5% (2014: 95.7%) of the Group's total revenue.

As at 31 December 2015, the Group's restaurant portfolio consisted of 673 Ajisen chain restaurants, comprising the following:

	31 December 2015	31 December 2014	+/–
By type:			
Owned and managed	**672**	667	5
Owned but not managed	**1**	2	-1
Total	**673**	669	4
By provinces:			
Shanghai	**142**	145	-3
Beijing	**40**	38	2
Tianjin	**6**	7	-1
Guangdong (excluding Shenzhen)	**56**	59	-3
Shenzhen	**29**	28	1
Jiangsu	**80**	82	-2
Zhejiang	**52**	54	-2
Sichuan	**20**	23	-3
Chongqing	**17**	17	0
Fujian	**22**	18	4
Hunan	**17**	16	1
Hubei	**18**	16	2
Liaoning	**14**	11	3
Shandong	**39**	38	1
Guangxi	**7**	6	1
Guizhou	**2**	4	-2
Jiangxi	**10**	10	0
Shaanxi	**14**	11	3
Yunnan	**5**	7	-2
Henan	**4**	3	1
Hebei	**4**	4	0
Anhui	**12**	11	1
Gansu	**1**	1	0
Xinjiang	**2**	2	0
Hainan	**3**	3	0
Shanxi	**1**	1	0
Neimenggu	**4**	5	-1
Heilongjiang	**7**	4	3
Ningxia, Qinghai	**3**	2	1
Jilin	**3**	2	1
Hong Kong	**38**	39	-1
Taiwan*	**1**	2	-1
Total	**673**	669	4
Total saleable area (sq. meters)	**154,137**	153,551	586

* *Note:* Ajisen (China) Holdings Limited holds 15% interest in restaurants operated in Taiwan

	31 December 2015	31 December 2014	+/–
By geographical region:			
Northern China	**121**	112	9
Eastern China	**274**	281	-7
Southern China	**155**	153	2
Central China	**122**	121	1
Taiwan	**1**	2	-1
Total	**673**	669	4

Sales of Packaged Noodle and Related Products

The manufacturing and sales of packaged noodle products under the Ajisen brand is one of the Group's two main businesses and is a beneficial complement to the major business of FCR network operation. These packaged noodle products are manufactured solely by the Group. Besides they are supplied to the chain restaurants of the Group, they are also sold through diversified channels, including supermarkets and department stores, which further enhances the awareness of the Ajisen brand.

For the year ended 31 December 2015, revenue from the sales of packaged noodle and related products was approximately HK$140,663,000 (2014: HK$142,582,000), accounted for approximately 4.5% (2014: 4.3%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 2015, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Alldays, Kedi and C-Store.

Financial Review

Turnover

For the year ended 31 December 2015, the Group's turnover decreased by approximately 5.8%, or approximately HK$191,094,000, to approximately HK$3,129,198,000 from approximately HK$3,320,292,000 for the corresponding period in 2014. Such decrease was mainly due to the negative same store growth in PRC of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2015, the Group's cost of inventories decreased by approximately 7.4%, or approximately HK$75,651,000, to approximately HK$951,738,000 from approximately HK$1,027,389,000 for the corresponding period in 2014. The decrease of inventories cost was larger than the decrease in turnover. During the year, the ratio of inventories cost to turnover was approximately 30.4%, slightly lower than 30.9% for the corresponding period in 2014. Such decrease was mainly attributable to the adoption of direct purchase to stabilise the cost of raw materials for the year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2015 decreased by approximately 5%, or approximately HK$115,443,000, to approximately HK$2,177,460,000 from approximately HK$2,292,903,000 for the corresponding period in 2014. Gross profit margin of the Group also slightly increased from approximately 69.1% for the corresponding period in 2014 to approximately 69.6%.

Property rentals and related expenses

For the year ended 31 December 2015, property rentals and related expenses of the Group decreased by approximately 0.6% from approximately HK$503,719,000 for the corresponding period in 2014 to approximately HK$500,735,000. Its proportion to turnover increased from approximately 15.2% for the corresponding period in 2014 to approximately 16.0%. Such increase was mainly attributable to the increase in rental costs for new tenancies for the year.

Staff costs

For the year ended 31 December 2015, staff costs of the Group decreased by approximately 6.9% from approximately HK$789,575,000 for the corresponding period in 2014 to approximately HK$735,361,000. Staff costs as a proportion to turnover decreased from approximately 23.8% for the corresponding period in 2014 by 0.3 percentage point to approximately 23.5%, which reflected the implementing efficient management system such as increasing number of part time staff for the year.

Depreciation

For the year ended 31 December 2015, depreciation of the Group increased by approximately 5.3% or approximately HK$10,200,000 from approximately HK$192,496,000 for the corresponding period in 2014 to approximately HK$202,696,000. Such increase was mainly attributable to the commencement of operation of new factories in Chengdu and Dongguan.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2015, other operating expenses decreased by approximately 6.0%, or approximately HK$30,571,000, to approximately HK$475,453,000 from approximately HK$506,024,000 for the corresponding period in 2014. Its proportion to turnover was still approximately 15.2%, expenses spent on advertising and promotion had decreased to approximately HK$91,020,000 from approximately HK$104,042,000 in 2014.

Other income

For the year ended 31 December 2015, other income of the Group decreased by approximately 4.3%, or approximately HK$4,833,000, to approximately HK$108,244,000 from approximately HK$113,077,000 for the corresponding period in 2014. The decreased mainly originated from the decrease in royalty income from sub-franchisee during the year.

Other gains and losses

For the year ended 31 December 2015, other gains and losses of the Group decreased by approximately 142.3% or HK$10,608,000 to approximately loss of HK$3,153,000 from approximately gain of HK$7,455,000 for the corresponding period in 2014. The decrease was primarily due to an increase in loss on disposal and write-off of property, plant and equipment during the year and an increase in impairment loss recognized in respect of available-for-sale investments during the year.

The exchange differences arising on translation amounted to a loss of approximately HK$1,134,000 for the year ended 31 December 2015 (2014: loss of approximately HK$3,812,000) due to depreciation of RMB as compared to HK$ throughout the year and less RMB denominated bank balances were resulted at the end of the year 2015 in Hong Kong as compared to that in the previous year.

Finance costs

For the year ended 31 December 2015, finance costs increased by approximately 76.0%, or approximately HK$2,164,000, to approximately HK$5,010,000 from approximately HK$2,846,000 for the corresponding period in 2014. The increase was mainly due to the bank loan drawn in second half year in 2015.

Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2015 decreased by approximately 13.2%, or approximately HK$55,320,000 to approximately HK$363,450,000 from approximately HK$418,770,000 for the corresponding period in 2014.

Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the year ended 31 December 2015 decreased by approximately 17.7%, or approximately HK$48,647,000, to approximately HK$226,918,000 from approximately HK$275,565,000 for the corresponding period in 2014.

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2015 remained healthy and strong, with bank balances amounting to HK$1,593,572,000 (31 December 2014: HK$1,931,746,000) and a current ratio of 2.1 (31 December 2014: 4.0).

As at 31 December 2015, the Group had bank borrowings of HK$665,193,000 (31 December 2014: HK$134,642,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 14.3 (31 December 2014: 3.2).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2015 and 31 December 2014 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets

Save for those disclosed in this annual result announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this annual result announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual result announcement.

Interest rate risk

As the Group has no significant interest-bearing assets (other than pledged bank deposits and bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash, pledged bank deposits included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

As of 31 December 2015 and 31 December 2014, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 31 December 2015, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately HK$1,154,096,000 and the current ratio was 2.1 as at 31 December 2015 (31 December 2014: 4.0). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The decrease in current ratio was mainly attributable to the borrowing of new bank loans drawn in the second half year in 2015.

Cash flows

Cash generated from operations for the year ended 31 December 2015 was approximately HK$515,315,000, while profit before taxation for the same period was approximately HK$363,450,000. The difference was primarily due to the decrease in trade and other receivables as at 31 December 2015.

Capital expenditure

For the year ended 31 December 2015, the Group's capital expenditure was approximately HK$757,782,000 (2014: HK$198,982,000), which was due to the increase in purchase of financial asset of HK$542,500,000 during the year.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-12/2015	1-6/2015	1-12/2014	**1-12/2015**	1-6/2015	1-12/2014
Comparable restaurant sales growth:	**6.0%**	4.3%	-2.7%	**-7.5%**	-7.8%	2.3%
Per capita spending:	**HK$66.1**	HK$65.6	HK$65.3	**HK$46.7**	RMB44.6	RMB43.4
Table turnover per day (times per day):	**5.2**	5.0	5.0	**3.4**	3.4	3.4

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31 December 2015, complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, namely, the roles of the Chairman and CEO have not been separated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the "Required Standard") of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of inside information of the Company on no less exacting terms than the Model Code.

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules.

Currently, the Audit Committee comprises three independent non-executive Directors as follows:

Mr. Jen Shek Voon (Chairman), an independent non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent non-executive Director

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2016, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2015 and annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

This annual results announcement is based on the Company's audited consolidated financial statements for the year ended 31 December 2015 which have been agreed with DTT, the auditors of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 13 May 2016 to 18 May 2016 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2015, the register of members of the Company will be closed from 24 May 2016 to 27 May 2016 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 May 2016 and 23 May 2016 respectively.

AGM AND DESPATCH OF 2015 ANNUAL REPORT

The AGM of the Company will be held on 18 May 2016. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be despatched to all shareholders together with the Annual Report in due course.

The Annual Report of the Company will be despatched to all shareholders of the Company and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

By order of the Board
Ajisen (China) Holdings Limited
Poon Wai
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the Board comprises Ms. Poon Wai and Mr. Poon Ka Man, Jason as executive Directors; Mr. Katsuaki Shigemitsu as non-executive Director; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.